

RANCHO BERNARDO SUBLEASE
(RR 262108)

This sublease ("Sublease") is executed to be effective as of November 1, 1992 (the "Effective Date"), by and between PINERY TREE FARMS, a California corporation ("Sublandlord") and C.E.O. GROUP, INC., a California corporation ("Subtenant"), as follows:

1. Recitals

1.01 This Sublease is made with reference to the following facts and objectives:

(a) The City of San Diego ("City") and Sublandlord, as Tenant, entered into a written lease dated December 19, 1984 and filed with the City as Document Number RR-262108 ("Master Lease"), a true and correct copy of which is attached hereto as Exhibit "A".

(b) Subtenant desires to sublet the premises from Sublandlord on the provisions contained in this Sublease.

(c) City shall consent to this Sublease on the provisions set forth in this Sublease. To the extent the Master Lease requires the consent of the City to this sublease, this sublease shall not be binding until the City consents to this sublease in writing.

2. Premises

Sublandlord leases to Subtenant and Subtenant leases from Sublandlord the real property located in the county of San Diego, all of said property being delineated on that plat map attached to the Master Lease as Exhibit A with the exception of the San Dieguito Park staging area measuring approximately 80 feet by 200 feet as delineated on Exhibit B attached hereto (the "Premises").

3. Term

The term of this Sublease shall commence with City's consent and shall terminate on December 31, 2004. The "Effective Date" of this Agreement is designated as November 1, 1992 for the convenience of the parties and does not imply City's consent to this sublease.

4. Rent

4.01 Subtenant shall pay the Sublandlord as a minimum monthly rent, without deduction, setoff, prior notice, or demand, all sums due City by Sublandlord pursuant to the Master Lease.

4.02 Subtenant shall pay all costs of living adjustments as required by the Master Lease and any other payments due City by Sublandlord pursuant to the Master Lease, including but not limited to all taxes, assessments, penalties, fees, utilities and additional rent incurred pursuant to the Master Lease or this Sublease.

5. Incorporation by Reference

5.01 All of the terms and conditions of the Master Lease are incorporated herein by reference and made a part of this Sublease. Subtenant shall assume and perform to Sublandlord's satisfaction the Tenant's obligations under the Master Lease provisions.

5.02 Sublandlord does not assume the obligations of City under the provisions of the Master Lease, but shall exercise due diligence in attempting to cause the City to perform its obligations under the Master Lease for the benefit of Subtenant.

5.03 Sublandlord reserves the rights of City under the provisions of the Master Lease, including but not limited to the right to terminate the Sublease and re-enter the premises upon default by Subtenant.

6. Tenant's Performance under the Master Lease

At any time and on prior notice to Subtenant, Sublandlord may elect to require Subtenant to perform its obligations under this Sublease directly to City, and Subtenant shall do so on Sublandlord's election, in which event Subtenant shall send to Sublandlord, copies of all notices and other communications it shall send to and receive from City.

7. Master Lease

7.01 This Sublease is subject to and subordinate to all the provisions of the Master Lease, and Subtenant shall not permit any act or omission to act that will violate any provision of the Master Lease. If any provision of this Sublease conflicts with the terms and conditions of the Master Lease, the Master Lease shall prevail.

7.02 If the Master Lease terminates, this Sublease shall terminate and the parties shall be relieved from all liabilities and obligations under this Sublease; except that if this Sublease terminates as a result of a default of one of the parties under this Sublease or the Master Lease, or both, the defaulting party shall be liable to the nondefaulting party for all damage suffered by the nondefaulting party as a result of termination.

8. Indemnity

8.01 Indemnification of Sublandlord and City. Subtenant shall protect, defend, indemnify and hold Sublandlord and City harmless from any and all actions, liabilities, demands and all expenses of any nature, including without limitation court costs and attorneys' fees resulting directly or indirectly, entirely or in part from:

- (a) the active or passive operations, conducted on the premises and the maintenance and use of the Premises on and after the Effective Date; and

(b) the material breach of Subtenant's obligations under this Sublease or any of the Purchase Documents;

(c) the assertion at any time of any claim relating to the presence or removal of any Hazardous Substance or other contaminants placed in or on the Premises after the Effective Date; or

(d) the cost of compliance by Sublandlord with any federal, state or local laws, rules, regulations or orders relating thereto necessitated by Subtenant's breach of its obligations under this Agreement, including without limitation, compliance with any environmental law or any clean up of a Hazardous Substance necessitated by any local, state or federal regulatory agency action.

All such obligations set forth in this Section shall survive the Closing. As used herein, "Hazardous Substance" shall mean any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Substance" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter- Presly-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage and Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 and defined as hazardous or extremely hazardous pursuant to Article II of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (ix) defined as "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), or (x) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601).

8.01.1 Sublandlord shall notify Subtenant within 20 days after the discovery of any claim to which this Section applies. Subtenant, at Subtenant's expense, shall defend Sublandlord against any such claim and shall engage counsel satisfactory to Sublandlord to prosecute Sublandlord's defense. Subtenant may settle any such claim upon commercially reasonable terms and conditions with the prior written consent of Sublandlord, which consent shall not be unreasonably withheld.

8.01.2 If Subtenant fails or refuses to defend Sublandlord or engage counsel satisfactory to Sublandlord within 10 days after Sublandlord's notice of any claim to which this Section applies, Sublandlord may:

- (a) defend such claim and add the cost thereof to any amount due from Subtenant under this Section; or
- (b) settle such claims on such terms and conditions as Sublandlord may determine in its sole and absolute discretion.

9. Insurance

Subtenant shall obtain all insurance required by the Master Lease, including but not limited to the insurance requirements set forth at Clause IV-B-10 of the Master Lease. Sublandlord shall be named as an additional insured in the same manner as the City.

10. Default and Remedies

10.01 Default. Subtenant shall be in default of this Sublease if Subtenant breaches any of the terms, conditions, or covenants of the Master Lease, this Sublease, the Purchase Agreement or the Purchase Documents. Except for the failure to pay rent pursuant to the terms of this Sublease, if the Subtenant is in breach of this Sublease or any Purchase Document, Sublandlord shall notify Subtenant of the obligation breached. After said notice, the Subtenant shall either:

- (a) cure the breach; or
- (b) be deemed in default under this Sublease and the Purchase Documents if the Subtenant has failed to cure the breach within five days after the notice of breach.

In the event Subtenant fails to pay rent pursuant to the terms of this Sublease, Subtenant will be deemed in default and Sublandlord may immediately initiate unlawful detainer proceedings by giving statutory notice.

10.02 Remedies. If Subtenant is in default under this Sublease, the Sublandlord may:

- (a) seek in its own name, any remedy available to the City under the Master Lease;
- (b) terminate its continuing obligations under this Agreement and immediately reenter the property and take possession of the premises; and/or
- (c) seek recovery of damages.

11. Miscellaneous

11.01 Attorneys' Fees. If any party or City employs counsel to enforce or interpret this Sublease, the prevailing party shall be entitled to recover its reasonable attorneys' fees and court costs in addition to any other remedy it may obtain or be awarded. Any judgment or final order issued in any legal proceeding shall include such reimbursement for attorneys' fees and costs.

11.02 Interpretation. Wherever the context of this Sublease requires, all words used in the singular shall be construed to have been used in the plural, and vice versa, and the use of any gender specific pronoun shall include any other appropriate gender. The term "person" shall refer to any individual, corporation or legal entity having standing to bring an action in its own name under California law.

11.03 Successors. Except as provided to the contrary herein, this Sublease shall be binding on and inure to the benefit of the parties and their successors and assigns.

11.04 Assignment. Subtenant shall not convey, assign, encumber or otherwise transfer its rights and obligations under this Sublease to any person without Sublandlord's and City's prior written consent, which consent may be unreasonably withheld. Any assignment by operation of law shall automatically terminate this Sublease.

11.05 Governing Law. This Sublease shall be construed and interpreted in accordance with the laws of the State of California. Any action brought to interpret or enforce this Sublease shall be tried in the County of San Diego, California, the state and county which is convenient to both Subtenant and Sublandlord.

11.06 Severability. The unenforceability, invalidity or illegality of any provision of this Sublease shall not render the other provisions unenforceable, invalid or illegal.

11.07 Notice. Any notice, disclosure, election, waiver, declaration, demand, request, consent, approval or other communication that any party desires or is required to give to another party or any other person shall be in writing.

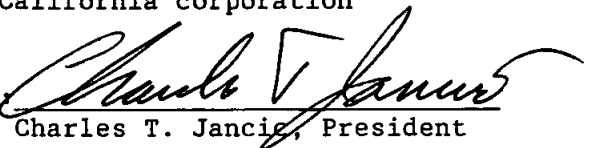
11.08 Time. Time is of the essence to the performance of each and every obligation of Subtenant hereunder.

11.09 Guarantors. **This Sublease is guaranteed by Norman Osborne and McKenzie Cook pursuant to that certain Guarantee dated November 1, 1992.**

IN WITNESS WHEREOF, this Agreement is executed to be effective as of the Effective Date.

SUBLANDLORD:

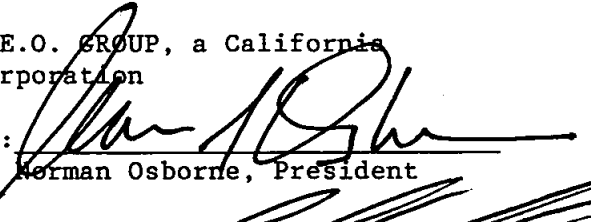
PINERY TREE FARMS,
a California corporation

By: 

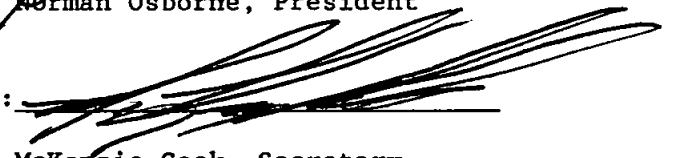
Charles T. Jancie, President

SUBTENANT:

C.E.O. GROUP, a California
corporation

By: 

Norman Osborne, President

By: 

McKenzie Cook, Secretary

CONSENT OF MASTER LESSOR

Master Lessor consents to the foregoing Sublease without waiver of the restriction concerning further subletting. The Sublease shall be subordinate to the Master Lease in all respects. The City is merely approving the Sublease and the proposed use, and all terms of the Master Lease shall control and supercede any inconsistent or contrary provisions of the Sublease. The City is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

CITY OF SAN DIEGO

Dated _____

By: _____
City Manager

APPROVED AS TO FORM

JOHN W. WITT, City Attorney

Dated 5/11/93

By: 

Deputy